

Big Plains Water & Sewer Special Service District

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2021



Big Plains Water & Sewer Special Service District

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June 30, 2021

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## Independent Auditors' Report

Board and Management  
Of Big Plains Water & Sewer SSD  
Town of Apple Valley, Utah

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Big Plains Water & Sewer Special Service District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Big Plains Water & Sewer Special Service District, as of June 30, 2021, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Plains Water & Sewer Special Service District's basic financial statements. Other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2022, on our consideration of the Big Plains Water & Sewer Special Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Big Plains Water & Sewer Special Service District's internal control over financial reporting and compliance.



HintonBurdick, PLLC

St. George, Utah

May 16, 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Big Plains Water & Sewer Special Service District  
**Management's Discussion and Analysis**  
June 30, 2021

As management of Big Plains Water & Sewer Special Service District (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended June 30, 2021.

### **FINANCIAL HIGHLIGHTS**

- \*Total net position for the District increased by \$493,213
- \*Total unrestricted net position for the District decreased by \$31,363
- \*Operating revenues increased by \$153,709
- \*Operating expenses increased by \$47,981

### **BASIC FINANCIAL STATEMENTS**

The District is a special-purpose government engaged in business-type activities. All transactions related to its activities are recorded in a single enterprise fund. Enterprise funds are used to account for the operations financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges.

The financial statements presented in this report are those required of an enterprise fund and consist of (1) the statement of net position, (2) the statement of revenues, expenses, and changes in net position, (3) the statement of cash flows, and (4) the notes to the financial statements.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as useful indicator of whether the financial position is improving or deteriorating. However, other non-financial factors need to be considered as well.

The statement of revenues, expenses and changes in net position (the income statement) presents information about the amounts of revenues, expenses, and resulting net income for the year. Net income is the change in net position. All items of income and expense are reported as soon as the underlying event giving rise to those items occurs, regardless of when cash is received or paid.

The statement of cash flows starts with the amounts of net income and removes the non-cash portion (the receivables and payables which did not provide or use cash), thus converting the amounts to a cash basis.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District.

Big Plains Water & Sewer Special Service District  
**Management's Discussion and Analysis**  
June 30, 2021

**FINANCIAL ANALYSIS**

**Big Plains Water & Sewer Special Service District's Net Position**

	Current Year	Previous Year	Change
Current and other assets	\$ 505,191	404,179	101,012
Non-current assets	5,906,109	5,591,521	314,588
Deferred outflows of resources	14,093	-	14,093
<b>Total assets and deferred outflows</b>	<b>6,425,393</b>	<b>5,995,700</b>	<b>429,693</b>
Other liabilities	332,581	267,275	65,305
Long-term liabilities outstanding	4,819,834	4,966,982	(147,148)
Deferred inflows of resources	18,324	-	18,324
<b>Total liabilities and deferred inflows</b>	<b>5,170,739</b>	<b>5,234,257</b>	<b>(63,518)</b>
Net position:			
Net investment in capital assets	1,094,275	641,539	452,736
Restricted	391,856	320,017	71,839
Unrestricted	(231,476)	(200,113)	(31,363)
<b>Total net position</b>	<b>\$ 1,254,655</b>	<b>761,442</b>	<b>493,213</b>

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of the year by \$1,254,655, an increase of \$493,213 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is a deficit of \$231,476, which represents a decrease of \$31,363 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Big Plains Water & Sewer Special Service District  
**Management's Discussion and Analysis**  
June 30, 2021

**FINANCIAL ANALYSIS (continued)**

**Big Plains Water & Sewer Special Service District's Change in Net Position**

	Current Year	Previous Year	Change
<b>Operating income:</b>			
Service income	\$ 364,605	240,734	123,871
Connection fees	24,153	19,500	4,653
Other operating income	43,575	18,390	25,185
<b>Total operating income</b>	<b>432,333</b>	<b>278,624</b>	<b>153,709</b>
<b>Operating expenses:</b>			
Wages	61,490	45,006	16,484
Benefits	32,546	24,563	7,983
Utilities	15,531	13,974	1,557
Repair and maintenance	38,752	22,497	16,255
Professional services	34,274	33,594	680
Other supplies and expenses	9,236	6,333	2,903
Insurance expense	5,910	4,087	1,823
Depreciation expense	135,064	134,769	295
<b>Total operating expense</b>	<b>332,804</b>	<b>284,823</b>	<b>47,981</b>
<b>Net operating income (loss)</b>	<b>99,530</b>	<b>(6,199)</b>	<b>105,729</b>
<b>Non-operating income (expense):</b>			
Impact fees	80,099	61,528	18,571
Grants	403,058	-	403,058
Interest income	237	2,633	(2,396)
Legal fee expenses	(1,460)	(5,713)	4,253
Interest on long-term debt	(88,251)	(93,152)	4,901
<b>Total non-operating income (expense)</b>	<b>393,683</b>	<b>(34,704)</b>	<b>428,387</b>
<b>Change in net position</b>	<b>\$ 493,213</b>	<b>(40,903)</b>	<b>534,116</b>

Service income increased by \$123,871. Connection fees increased by \$4,653. Other operating income increased by \$25,185.

Depreciation expense is the largest single element of operating costs and increased from the amount of the previous year by \$295. The largest single increase in operating expenses was for wages in the amount of \$16,484. Expenses for repairs and maintenance increased by \$16,255 during the year.

Impact fees increased by \$18,571 and grants increased by \$403,058.

Big Plains Water & Sewer Special Service District  
**Management's Discussion and Analysis**  
 June 30, 2021

**BUDGETARY HIGHLIGHTS**

The District operates as an enterprise fund and is required to comply with the operating budget on an entity-wide basis.

	Original	Amended	Actual
Revenues	\$ 1,167,558	1,167,558	915,728
Expenses	380,734	380,734	422,515
<b>Net income</b>	<b>\$ 786,824</b>	<b>786,824</b>	<b>493,213</b>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Big Plains Water & Sewer Special Service District's Capital Assets**

	Current Year	Previous Year	Change
<b>Net Capital Assets:</b>			
Land	\$ 21,507	21,507	-
Water rights	996,483	996,483	-
Machinery and equipment	42,132	42,132	-
Water systems	5,251,675	5,251,675	-
Construction in progress	449,653	-	449,653
 Total	 6,761,450	 6,311,797	 449,653
 Less accumulated depreciation	 (855,341)	 (720,276)	 (135,064)
 <b>Net Capital Assets</b>	 <b>\$ 5,906,109</b>	 <b>5,591,521</b>	 <b>314,588</b>

The total amount of net capital assets of \$5,906,109 is an increase of \$314,588 from the previous year.

The increase in net capital assets represents the amount that investment in new capital assets exceeded depreciation charged on capital assets.

Additional information regarding capital assets may be found in the notes to financial statements.

Big Plains Water & Sewer Special Service District  
**Management's Discussion and Analysis**  
 June 30, 2021

**CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)**

**Big Plains Water & Sewer Special Service District's Outstanding Debt**

	Current Year	Previous Year	Change
<b>Business-type activities:</b>			
2016 Aquafer Study	\$ 8,000	17,000	(9,000)
2018 Water Bond Series A	76,000	80,000	(4,000)
2012 Water Project	1,945,000	2,030,000	(85,000)
2018 Water Bond Series B	328,000	339,000	(11,000)
2015 Water Bond 02	279,170	283,144	(3,975)
2015 Water Bond 01	2,183,664	2,217,837	(34,172)
<b>Total business-type</b>	<b>4,819,834</b>	<b>4,966,981</b>	<b>(147,147)</b>
<b>Total outstanding debt</b>	<b>\$ 4,819,834</b>	<b>4,966,981</b>	<b>(147,147)</b>

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

No significant economic changes that would affect the District are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Big Plains Water & Sewer Special Service District, 688 N Paradise Ln, Bldg A, Apple Valley, UT 84737.

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## **BASIC FINANCIAL STATEMENTS**

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Big Plains Water & Sewer Special Service District  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
June 30, 2021

	Utility Fund
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>	
Assets:	
Current assets:	
Cash and cash equivalents	\$ -
Due from other governments	113,335
Total current assets	113,335
Non-current assets:	
Restricted cash and cash equivalents	391,856
Capital assets:	
Not being depreciated	1,467,643
Net of accumulated depreciation	4,438,466
Total non-current assets	6,297,965
Total assets	6,411,300
Deferred outflows of resources - pensions	14,093
<b>Total assets and deferred outflows of resources</b>	<b>\$ 6,425,393</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>	
Liabilities:	
Current liabilities:	
Checks written in excess of unrestricted cash balance	\$ 259,434
Accounts payable	54,570
Accrued liabilities	857
Customer deposits	10,050
Compensated absences	4,508
Accrued interest payable	839
Revenue bonds, current portion	147,524
Total current liabilities	477,783
Non-current liabilities:	
Revenue bonds, long-term	4,672,310
Net pension liability	2,322
Total non-current liabilities	4,674,632
Total liabilities	5,152,415
Deferred inflows of resources - pensions	18,324
<b>Total liabilities and deferred inflows of resources</b>	<b>5,170,739</b>
<b>NET POSITION:</b>	
Net investment in capital assets	1,094,275
Restricted	391,856
Unrestricted	(231,476)
<b>Total net position</b>	<b>1,254,655</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 6,425,393</b>

The notes to the financial statements are an integral part of this statement.

Big Plains Water & Sewer Special Service District  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN NET POSITION - PROPRIETARY FUND**

For the year ended June 30, 2021

	Utility Fund
<b>Operating income:</b>	
Charges for sales and service	\$ 364,605
Connection fees	24,153
Other operating income	43,575
<b>Total operating income</b>	<b><u>432,333</u></b>
<b>Operating expenses:</b>	
Wages	61,490
Benefits	32,546
Utilities	15,531
Repair and maintenance	38,752
Professional services	34,274
Other supplies and expenses	9,236
Insurance expense	5,910
Depreciation expense	135,064
<b>Total operating expense</b>	<b><u>332,804</u></b>
<b>Net operating income (loss)</b>	<b><u>99,530</u></b>
<b>Non-operating income (expense):</b>	
Impact fees	80,099
Interest income	237
Legal fee expenses	(1,460)
Interest on long-term debt	(88,251)
<b>Total non-operating income (expense)</b>	<b><u>(9,375)</u></b>
<b>Income (loss) before capital contributions</b>	<b>90,154</b>
Capital contributions	<u>403,058</u>
<b>Change in net position</b>	<b>493,213</b>
Net position - beginning	<u>761,442</u>
<b>Net position - ending</b>	<b><u><u>\$ 1,254,655</u></u></b>

The notes to the financial statements are an integral part of this statement.

Big Plains Water & Sewer Special Service District

**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2021

	Utility Fund
<b>Cash flows from operating activities:</b>	
Cash received from customers - service	\$ 431,578
Cash paid to suppliers	(81,054)
Cash paid to employees	(82,975)
<b>Net cash provided (used) in operating activities</b>	<b><u>267,549</u></b>
<b>Cash flows from noncapital financing activities:</b>	
Change in due to/from other governments	(44,972)
Change in security deposits	(4,200)
<b>Net cash provided (used) in noncapital financing activities</b>	<b><u>(49,172)</u></b>
<b>Cash flows from capital and related financing activities:</b>	
Cash received from impact fees	80,099
Cash received from capital grants	403,058
Cash payments for capital assets	(449,653)
Cash payments for legal fees	(1,460)
Cash payments for long-term debt principal	(147,148)
Cash payments for long-term debt interest	(91,722)
<b>Net cash provided (used) in capital and related financing activities</b>	<b><u>(206,826)</u></b>
<b>Cash flows from investing activities:</b>	
Cash received from interest earned	237
<b>Net cash provided (used) in investing activities</b>	<b><u>237</u></b>
<b>Net increase (decrease) in cash</b>	<b>11,789</b>
Cash balance - beginning	<u>120,633</u>
<b>Cash balance - ending</b>	<b><u>\$ 132,422</u></b>
<b>Cash reported on the statement of net position:</b>	
Cash and cash equivalents	\$ -
Checks written in excess of unrestricted cash balance	(259,434)
Non-current restricted cash	391,856
<b>Total cash and cash equivalents</b>	<b><u>\$ 132,422</u></b>

(The Statement of Cash Flows continues on the following page)

The notes to the financial statements are an integral part of this statement.

Big Plains Water & Sewer Special Service District  
**STATEMENT OF CASH FLOWS (continued)**  
For the year ended June 30, 2021

<b>Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities:</b>	<u>Utility Fund</u>
<b>Net operating income (expense)</b>	<b>\$ 99,530</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:	
Depreciation and amortization	135,064
Pension expense	15,554
Employer pension contribution	(9,001)
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
(Increase) decrease in receivables	(755)
Increase (decrease) in accounts payable	25,124
Increase (decrease) in payroll liabilities	(2,474)
Increase (decrease) in compensated absences	4,508
<b>Net cash provided (used) in operating activities</b>	<b><u>\$ 267,549</u></b>

The notes to the financial statements are an integral part of this statement.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1-A. Reporting entity**

Big Plains Water & Sewer Special Service District (the District), a special service district located in Washington County, Utah, was organized for the purpose of providing culinary water service and sewer service to the residents of the District. The District operates under the direction of a Board of Trustees. All trustees are appointed by the Town of Apple Valley Mayor.

The District is a component unit of the Town of Apple Valley, Utah. For fiscal years up to and including the year ended June 30, 2021, the Town has managed water billings and related collections on behalf of the District. In those same years, the District has contracted with the Town to have Town personnel provide accounting services to the District.

**1-B. Financial statements**

The financial statements presented are those required of an enterprise fund and consist of the statement of net position, the statement of revenues, expenses, and changes in net position and the statement of cash flows. The District is considered a special-purpose government engaged in business-type activities and records all of the transactions related to its activities in a single enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges. No fiduciary funds or components that are fiduciary in nature are included.

**1-C. Measurement focus, basis of accounting and financial statement presentation**

*Measurement focus* is commonly used to describe the types of transactions and events that are reported in a fund's operating statement. The operating statement of an enterprise fund focuses on changes in, or the flow of, *economic* resources. With this measurement focus, all assets and liabilities associated with the operation of the fund, both current and non-current, are included on the statement of net assets. Thus, net position (total assets and deferred out flows of resources less total liabilities and deferred inflows of resources) are used as a practical measure of economic resources.

*Basis of accounting* refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. As a practical matter, a fund's basis of accounting is inseparably tied to its measurement focus. Funds that focus on total economic resources employ the full accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Under accrual accounting, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

***1-E-1. Deposit and Investments***

Cash includes cash on hand, demand deposits with bank and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The District's policy allows for investment in fund in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

***1-E-2. Cash and Cash Equivalents***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

***1-E-3. Receivables and Payables***

Accounts receivable other than intergovernmental receivables are from customers primarily for utility services. Intergovernmental receivables are considered collectible. Customer accounts are reported net of allowance for uncollectable accounts. Due to the nature of the accounts receivable, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectable accounts receivable is presented.

***1-E-4. Restricted Assets***

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the statement of net position because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net position.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash.

***1-E-5. Inventories and Prepaid items***

Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2021

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (continued)**

**1-E-6. Capital Assets**

Capital assets includes property, plant, equipment, and infrastructure assets, and are reported in the statement of net position. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts.

Property, plant, and equipment of the primary government, as well as the component unit, if any, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Distribution and collection system	40
Equipment	5-20

**1-E-7. Long-term Obligations**

In the proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the proprietary fund statement of net position. Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**1-E-8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to pension as required by GASB 68.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The reports deferred inflows of resources related to pensions as required by GASB 68.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(continued)**

**1-E-9. *Net position flow assumption***

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**1-F. Tax abatements**

The District has not entered into any tax abatement agreements and the District is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the District's tax revenues.

**1-G. Estimates**

GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2-A. Budgetary data**

An annual operating budget is adopted by the District's board of trustees, on a basis consistent with generally accepted accounting principles, and as prescribed by state regulation. The budget is adopted prior to the beginning of the year to which it applies after a public hearing has been held. Subsequent amendments to the operating budget may be made after a public hearing.

A capital budget is also adopted by the board of trustees which identifies planned capital asset additions and requirements for long-term debt service principal payments, as well as the plan for financing these items.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2021

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2021 consist of the following:

	Fair Value
Demand deposits	\$ 17,586
Investments - PTIF	114,836
<b>Total cash</b>	<b>\$ 132,422</b>

Cash and investments listed above are classified in the accompanying government-wide statement of net position as follows:

Cash and cash equivalents (current)	\$ (259,434)
Restricted cash and cash equivalents (non-current)	391,856
<b>Total cash and cash equivalents</b>	<b>\$ 132,422</b>

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The District maintains monies not immediately needed for expenditure in PTIF accounts. A copy of the financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer.

As of June 30, 2021, the District had the following investments, ratings, and maturities:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Utah Public Treasurer's Investment Fund	\$ 114,836	N/A	66.70
<b>Total Fair Value</b>	<b>\$ 114,836</b>		

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2021

**3-A. Deposits and investments (continued)**

**Fair value of investments**

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1--Quoted prices for identical investments in active markets; Level 2--Observable inputs other than quoted market prices; and, Level 3--Unobservable inputs. At June 30, 2021, the District had \$114,836 invested in the PTIF, which uses a Level 2 fair value measurement.

**Deposit and investment risk**

The District maintains no investment policy containing any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The District's compliance with the provisions of UMMA addresses each of these risks.

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the District are available immediately.

**Credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2021, all of the District's demand deposits are covered by FDIC insurance.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

**Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**3-B. Receivables**

The allowance policy is described in Note 1-E-3. Receivables as of year-end for the District's funds are shown below:

	Utility	
	Fund	
Due from Apple Valley Town	\$	113,335
<b>Total receivables</b>	<b>\$</b>	<b>113,335</b>

As described in Note 1-A., the Town of Apple Valley is currently billing and collecting the District's service revenues. The balance that is labeled "Due from Apple Valley" represents the outstanding portion of service revenues billed, but not collected as of the end of the fiscal year by the Town of Apple Valley in behalf of Big Plains Water and Sewer Special Service District."

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021

**3-C. Capital assets**

Capital asset activity for the business-type activities was as follows:

<b>Business-type activities</b>	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 21,507	-	-	21,507
Water rights	996,483	-	-	996,483
Construction in progress	-	449,653	-	449,653
<b>Total capital assets, not being depreciated</b>	<b>1,017,990</b>	<b>449,653</b>	<b>-</b>	<b>1,467,643</b>
Capital assets, being depreciated:				
Distribution and collection systems	5,251,675	-	-	5,251,675
Equipment	42,132	-	-	42,132
<b>Total capital assets, being depreciated</b>	<b>5,293,807</b>	<b>-</b>	<b>-</b>	<b>5,293,807</b>
Less accumulated depreciation for:				
Distribution and collection systems	705,263	132,191	-	837,454
Equipment	15,013	2,874	-	17,887
<b>Total accumulated depreciation</b>	<b>720,276</b>	<b>135,064</b>	<b>-</b>	<b>855,341</b>
<b>Total capital assets being depreciated, net</b>	<b>4,573,530</b>	<b>(135,064)</b>	<b>-</b>	<b>4,438,466</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 5,591,521</b>	<b>314,588</b>	<b>-</b>	<b>5,906,109</b>

Depreciation expense was charged to functions/programs of the primary government business-type activities was as follows:

<b>Business-type activities:</b>	
Water	\$ 135,064
<b>Total</b>	<b>\$ 135,064</b>

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2021

**3-D. Long-term liabilities**

Long-term debt activity for business-type activities was as follows:

	Original Principal	% Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2016 Aquafer Study							
Matures 10/1/2021	\$ 41,000	-	\$ 17,000	-	9,000	8,000	8,000
2018 Water Bond Series A							
Matures 10/1/2037	88,000	-	80,000	-	4,000	76,000	4,000
2012 Water Project							
Matures 1/1/2044	2,540,000	-	2,030,000	-	85,000	1,945,000	85,000
2018 Water Bond Series B							
Matures 5/1/2048	362,000	1.00	339,000	-	11,000	328,000	11,000
2015 Water Bond 02							
Matures 8/15/2054	300,000	4.00	283,144	-	3,975	279,170	4,136
2015 Water Bond 01							
Matures 9/15/2054	2,364,800	3.50	2,217,837	-	34,172	2,183,664	35,388
<b>Total business-type activity long-term liabilities</b>			<b>\$ 4,966,981</b>	<b>-</b>	<b>147,147</b>	<b>4,819,834</b>	<b>147,524</b>

Debt service requirements to maturity for business-type activities are as follows:

For the year ending June 30,	Principal	Interest	Total
2022	\$ 147,524	90,236	237,760
2023	140,952	88,698	229,650
2024	142,430	87,110	229,540
2025	143,963	85,467	229,430
2026	144,550	83,770	228,320
2027 - 2031	754,653	391,287	1,145,940
2032 - 2036	809,910	339,090	1,149,000
2037 - 2041	857,754	277,216	1,134,970
2042 - 2046	751,056	203,694	954,750
2047 - 2051	543,052	116,758	659,810
2052 - 2055	383,990	22,958	406,948
<b>Total</b>	<b>\$ 4,819,834</b>	<b>1,786,284</b>	<b>6,606,118</b>

The business-type bonds are secured by their respective revenues.

The District has outstanding bonds related to business-type activities totaling \$4,819,834. The outstanding bonds are all secured with their respective revenues and/or property and equipment.

The District has no unused lines of credit as of June 30, 2021.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021

**3-E. Restricted net position**

At June 30, 2021, the District's restricted net position is as follows:

<b>Business-type:</b>	
Net investment in capital assets	\$ 1,094,275
Bond fund	176,853
Reserve fund	68,000
Capital facility replacement	147,003
Unrestricted	<u>(231,476)</u>
<b>Total net position</b>	<b><u>\$ 1,254,655</u></b>

**NOTE 4 - OTHER INFORMATION**

**4-A. Risk management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The District is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

**4-B. Rounding convention**

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum of displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

**4-C. Pension Plans**

**General Information about the Pension Plan**

**Plan description:**

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following Pension Trust Funds:

Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, public employee retirement system

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2021

**4-C. Pension Plans (continued)**

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org/general/publications](http://www.urs.org/general/publications).

**Summary of Benefits by System**

*Benefits provided:* URS provides retirement disability, and death benefits.

Retirement benefits are as follows:

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percentage per year of service	Cola **
Noncontributory System	Highest 3 Years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%

\* with actuarial reductions

\*\* All past-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**Contribution Rate Summary:** As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2021 are as follows:

<u>Utah Retirement Systems</u>	<u>Employee Paid</u>	<u>Employer Contribution Rate</u>	<u>Employer Rate for 401(k) Plan</u>
Contributory System			
111 - Local Government Div - Tier 2	N/A	15.80	0.89
Noncontributory System			
15 - Local Government Div - Tier 1 Tier 2 DC Only	N/A	18.47	N/A
211 - Local Government	N/A	6.69	10.00

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2021

**4-C. Pension Plans (continued)**

For the fiscal year ended June 30, 2021, the employer and employee contributions to the Systems were as follows:

<u>System</u>	Employer Contributions	Employee Contributions
Noncontributory System	\$ 9,001	N/A
<b>Total Contributions</b>	<b>\$ 9,001</b>	<b>-</b>

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

***Combined Pension Assets, Liabilities, Expense, and Deferred Outflows and Inflows of Resources Relating to Pensions***

At June 30, 2021, we reported a net pension asset of \$0 and a net pension liability of \$2,322.

	(Measurement Date): December 31, 2020		Proportionate Share	Proportionate Share 12/31/2019	Change (Decrease)
	Net Pension Asset	Net Pension Liability			
Noncontributory System	\$ -	\$ 2,322	0.0045272%	0.0046959%	-0.0001687%
Tier 2 Public Employees System	-	-	0.0000000%	0.0001599%	-0.0001599%
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,322</b>			

The net pension asset and liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2021, we recognize pension expense of \$8,073.

At June 30, 2021, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,115	\$ -
Changes in assumptions	-	304
Net difference between projected and actual earnings on pension plan investments	-	16,957
Changes in proportion and differences between contributions and proportionate share of contributions	6,134	1,063
Contributions subsequent to the measurement date	4,844	-
<b>Total</b>	<b>\$ 14,093</b>	<b>\$ 18,324</b>

\$4,844 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2020.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2021

**4-C. Pension Plans (continued)**

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2021	\$ 843
2022	(1,021)
2023	(5,969)
2024	(2,823)
2025	(12)
Thereafter	(93)

***Noncontributory System Pension Expense and Deferred Outflows and Inflows of Resources***

At June 30, 2021, we reported a net pension asset of \$0 and a net pension liability of \$8,085.

At June 30, 2021, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,115	\$ -
Changes in assumptions	-	304
Net difference between projected and actual earnings on pension plan investments	-	16,957
Changes in proportion and differences between contributions and proportionate share of contributions	5,850	627
Contributions subsequent to the measurement date	4,844	-
<b>Total</b>	<b><u>\$ 13,809</u></b>	<b><u>\$ 17,888</u></b>

\$4,844 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2020.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2021

**4-C. Pension Plans (continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2021	\$ 854
2022	(1,010)
2023	(2,957)
2024	(2,811)
2025	-
Thereafter	-

***Tie 2 Public Employees System Pension Expense and Deferred Outflows and Inflows of Resources***

At June 30, 2021, we reported a net pension asset of \$0 and a net pension liability of (\$12).

At June 30, 2021, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	284	436
Contributions subsequent to the measurement date	-	-
<b>Total</b>	<b><u>\$ 284</u></b>	<b><u>\$ 436</u></b>

\$0 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2020.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2021

**4-C. Pension Plans (continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2021	\$ (12)
2022	(12)
2023	(12)
2024	(12)
2025	(12)
Thereafter	(93)

**Actuarial assumptions:**

The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 - 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2020, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2021

**4-C. Pension Plans (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Assets class</u>	<b>Expected Return Arithmetic Basis</b>		
	Target Asset Allocation	Real Return Arithmetic Basis	Long Term expected portfolio real rate of return
Equity securities	37%	6.30%	2.33%
Debt securities	20%	0.00%	0.00%
Real assets	15%	6.19%	0.93%
Private equity	12%	9.50%	1.14%
Absolute return	16%	2.75%	0.44%
Cash and cash equivalents	0%	0.00%	0.00%
<b>Totals</b>	<b>100.00%</b>		<b>4.84%</b>
		Inflation	2.50%
		Expected arithmetic nominal return	7.34%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.5%, and a real return of 4.45% that is net of investment expense.

*Discount rate:* The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current, active, and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments, to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent.

*Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate:* The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.95 percent) or 1 percentage point higher (7.95 percent) than the current rate:

<u>System</u>	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 40,260	\$ 2,322	\$ (29,305)
<b>Total</b>	<b>\$ 40,260</b>	<b>\$ 2,322</b>	<b>\$ (29,305)</b>

**Pension plan fiduciary net position:**

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Big Plains Water & Sewer Special Service District  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2021

**4-C. Pension Plans (continued)**

**Defined Contributions Savings Plan:**

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

The City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30th were as follows:

	2021	2020	2019
401(k) Plan			
Employer Contributions	\$ -	\$ -	\$ 273
Employee Contributions	-	-	-

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

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Big Plains Water & Sewer Special Service District  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

June 30, 2021  
 Last 10 Fiscal Years\*

	As of December 31,		
	2021	2020	2019
<b>Noncontributory Retirement System</b>			
Proportion of the net pension liability (asset)	0.0045272%	0.0000000%	0.0000000%
Proportionate share of the net pension liability (asset)	\$ 2,322	\$ -	\$ -
Covered employee payroll	\$ 45,006	\$ -	\$ -
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.16%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	99.20%	0.00%	0.00%
<b>Tier 2 Public Employees Retirement System</b>			
Proportion of the net pension liability (asset)	0.0000000%	0.0000000%	0.0000000%
Proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -
Covered employee payroll	\$ -	\$ -	\$ -
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%

\* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively.

Big Plains Water & Sewer Special Service District  
**SCHEDULE OF CONTRIBUTIONS**  
 June 30, 2021  
 Last 10 Fiscal Years\*

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
<b>Noncontributory System</b>	2019	\$ 8,313	\$ 8,313	\$ -	\$ 45,006	18.47%
	2020	8,313	8,313	-	45,006	18.47%
	2021	9,001	9,001	-	48,731	18.47%
<b>Tier 2 Public Employees Riterment System**</b>	2019	\$ 3,684	\$ 3,684	\$ -	\$ 23,705	15.54%
	2020	-	-	-	-	0.00%
	2021	-	-	-	-	0.00%

\* Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The 10-year schedule will need to be built prospectively.

\*\* Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

**Notes to Required Supplementary Information**

*Changes in Assumptions Related to Pensions:*

There were a number of demographic assumptions (e.g. rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board as a result of an Actuarial Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the Total Pension Liability, which is about 0.50% of the Total Pension Liability of as December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 31, 2019 provides detailed information regarding those assumption changes, which may be accessed online at [newsroom.urs.org](http://newsroom.urs.org) under the “Retirement Office” column using the “Reports and Stats” tab.

**OTHER SUPPLEMENTARY INFORMATION**

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Big Plains Water & Sewer Special Service District  
**OTHER SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2021

This information is required by one of the Big Plains Water and Sewer Special Service District's bondholders to be included in the notes to the financial statements. It is not otherwise a required item for disclosure.

**Insurance Coverage**

The Big Plains Water and Sewer Special Service District was insured for General Liability and Auto by the Utah Local Government Trust as of June 30, 2021. The following is a summary of the relevant coverages at June 30, 2021:

<u>Policy #17220-GL2012:</u>	<u>Amount of Coverage</u>	<u>Expires</u>
General Liability	\$ 2,000,000	9/30/2021
Auto Bodily Injury	2,000,000	9/30/2021
Auto Property Damage	2,000,000	9/30/2021
Personal Injury Protection	As State Requires	9/30/2021
Underinsured Motorist	80,000	9/30/2021
Uninsured Motorist	80,000	9/30/2021
Pollution Exclusion Endorsement	50,000	9/30/2021
No Fault Sewer Cleanup	5,000	9/30/2021

**Water System Cutomers and Connections**

Customers	534
Connections	407
 Total revenues billed	 \$ 364,605

**Schedule of Water Rates**

	<u>Cost Per 1,000 Gallons:</u>	
Water - Base of \$29.00	5,000	\$ 1.50
	5,001-12,000	\$ 1.75
	12,001-25,000	\$ 2.00
	25,001-35,000	\$ 2.25
	35,001-45,000	\$ 2.50
	45,001+	\$ 2.75

**Established Funds and Balances**

Bond Fund	176,853
Reserve Fund	68,000
Capital Facilities Replacement Fund	147,003

**Governing Body**

Harold Merritt	Chairman
Neil Duncan	Secretary
Robert Campbell	Treasurer
Ross Gregerson	Board Member
Trevor Black	Board Member

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**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Board and Management  
Of Big Plains Water & Sewer SSD  
Town of Apple Valley, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Big Plains Water & Sewer Special Service District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 16, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items 2021-001 Bank Reconciliation and 2021-002 Segregation of Duties – Accounting and Controls, which we consider to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC

St. George, Utah

May 16, 2022



**HINTONBURDICK**  
CPAs & ADVISORS

**Independent Auditors' Report on Compliance and  
Report on Internal Control Over Compliance  
As Required by the State Compliance Audit Guide**

Board and Management  
Of Big Plains Water & Sewer SSD  
Town of Apple Valley, Utah

**Report on Compliance**

We have audited the Big Plains Water & Sewer Special Service District's (District) compliance with the applicable general state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District for the year ended June, 30, 2021.

General state compliance requirements were tested for the year ended June 30, 2021 in the following areas:

Budgetary Compliance  
Fund Balance  
Fraud Risk Assessment  
Government Fees  
Open and Public Meetings Act

***Management's Responsibility***

Management is responsible for compliance with the general state requirements referred to above.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the District's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the District occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

## ***Opinion***

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2021.

## ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as items 2021-003, 2019-001, and 2018-003. Our opinion on compliance is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying Response to Findings. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state compliance requirements referred to above to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

We did note matters involving internal control over compliance or certain deficiencies which we are submitting for your consideration. These matters are described in the accompanying letter of Findings and Recommendations.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

*HintonBurdick, PLLC*

HintonBurdick, PLLC  
St. George, Utah  
May 16, 2022

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Chairman Andy McGinnis  
Board Member Frank Lindhardt  
Board Member Kevin Sair  
Board Member Robin Whitmore  
Board Member Barratt Nielson  
Advisory Council: Harold Merritt, Ross Gregerson

May 19, 2022

HintonBurdick CPAs & ADVISORS  
PO Box 38  
St. George, UT 84770

RE: Response to Findings and Recommendations, FY2021 Audit

Dear HintonBurdick,

Our response to the findings and recommendations of the FY2021 audit are as follows:

As of January 3, 2022, a new administration has been sworn in and does not have the knowledge of past actions of the previous administration. The responses will be geared to what actions this new administration will take from this date forward, of which we can only be responsible for.

#### **INTERNAL CONTROL OVER FINANCIAL REPORTING:**

##### **Material Weaknesses:**

None Noted

##### **Significant Deficiencies:**

2021-001 Bank Reconciliation

**Criteria:** Bank reconciliations are a key internal control process for the District.

**Condition:** Through inquiry and observation, we noted that some of the bank reconciliations may not have been reviewed by a person independent of the preparer.

**Cause:** Staffing shortages may have affected the ability of the District's personnel to complete the bank reconciliations review. Also, internal controls over the bank reconciliation process may not have been properly designed and implemented to perform bank reconciliation reviews.

**Effect:** There is no documentation of the District's bank reconciliations being reviewed by someone other than the person who prepared the reconciliation. Fraud or errors may have occurred and not been detected.

**Recommendation:** We recommend that Management continue to allocate the District's resources to make sure the District's bank reconciliations are completed and reviewed by two different personnel, with the review being documented by signature on the reconciliation or by other means of documentation.

**Big Plains Response:** The recommendation to have bank reconciliations completed and reviewed by two different personnel was instituted January 3, 2022 by the new accountant for the District. This included the practice of the review being documented by signature on the reconciliation. The completion is generally performed by the Treasurer with the Chairman and/or Town Administrator performing the review.

2021-002 Segregation of Duties—Accounting and Controls

**Criteria:** Proper segregation of duties provides important safeguards and controls to ensure the proper recording, deposit and disposition of the District's funds. For a complete and proper segregation of duties within accounting functions, no one person should have duties in more than one of the following areas: custody of assets, recording functions and authorization abilities. The District should maintain a complete record of accounting transactions.

**Condition:** There appears to be a lack of segregation of duties (primarily related to accounting duties) with accounting personnel. The District has some mitigating controls in place such that this is not deemed to be a material weakness. The District had difficulties providing appropriate supporting documentation of accounting records.

**Cause:** The turnover in and the changes in responsibilities of accounting and administrative personnel in recent years has caused, in general, an increased lack of segregation of duties and a decrease in mitigating controls. Furthermore, the District often times gives certain duties (or at least the ability to perform certain duties) to multiple personnel with limited training, which decreases segregation of duties.

**Effect:** There is a potential for the misuse of assets or the possibility that if fraud were to occur, it would not be detected and corrected in a timely manner.

**Recommendation:** We realize that the size of the District and its administration staff may prohibit a complete and proper segregation of duties within its accounting functions. However, particularly as the District continues to adjust for recent changes in personnel and responsibilities, the District should ensure that the duties of district personnel are adequately segregated. District personnel with cash receipting duties should typically not have significant recording duties. The District should consider decreasing the number of personnel who can perform certain duties. For example, receipting/handling cash (including preparing and making deposits), recording transactions in the system (including making billing adjustments and write-offs), and preparing bank reconciliations.

The District should consider establishing additional mitigating controls such as independent reviews of non-routine journal entries and bad debt adjustments. We also recommend that the District consistently document the independent reviews of reports and statements (e.g. initial/sign journal entries/adjustments, bank reconciliations, credit card statements, etc.).

**Big Plains Response:** Beginning January 3, 2022 controls were immediately put into place to ensure the segregation of duties with the use of three separate individuals, by use of the interlocal agreement with the Town of Apple Valley. Reports, statements, bank reconciliations, journal entries, etc. are reviewed independently by a separate individual who has not prepared the document. All are reviewed and signed by two individuals.

## COMPLIANCE AND OTHER MATTERS:

### Compliance:

#### 2021-003 Open and Public Meetings Act

**Criteria:** UCA 52-4-104 requires the members of the governing body are provided with annual training on the requirements of open and public meetings. UCA 52-4-202 (1) & (3) requires the entity give proper notice of meetings at least 24 hours before each meeting by posting notices on the Utah Public Website.

**Condition:** For the year ended June 30, 2021, none of the board members attended an annual training and notice of meetings was not posted on the Utah Public Website.

**Cause:** The turnover in and the changes in responsibilities of accounting and administrative personnel in recent years has caused the District to overlook ensuring the board members are provided with annual training on the requirements of open and public meetings and ensuring the meetings notices were posted on the Utah Public Website.

**Effect:** The District is not in compliance with Utah Code 52-4-104 or 52-4-202 (1) & (3).

**Recommendation:** We recommend the District establish additional procedures to insure all members of the governing body are provided with annual training on the requirements of open and public meetings and ensure that meeting notices are posted at least 24 hours before on the Utah Public Website.

**Big Plains Response:** In January 2022, all members of the board attended the annual meeting required for open and public meetings. The Clerk has been instructed to schedule this meeting on an annual basis and to ensure that all incoming members receive the same as soon as possible after being appointed. An annual review of the Board's personnel files is in place to determine completion of annual meetings. Noticing of meetings is reviewed by the Chairman and the Town Administrator to ensure each individual meeting has been noticed appropriately.

2019-001 Budgetary Compliance – Reissued/Reworded

**Criteria:** UCA 17B-1-619 prohibits incurring expenditures in excess of total appropriations in the budget as adopted or as subsequently amended. UCA 17B-1-638 requires that financial reports are prepared monthly or quarterly, and reviewed by the governing body.

**Condition:** At year end, the Water Fund expenses exceeded the amount budgeted by \$39K. Quarterly financial reports were not prepared and subsequently not reviewed by management.

**Cause:** Procedures for monitoring and/or adjusting the budget as well as preparing and reviewing quarterly reports were not followed at year-end.

**Effect:** Expenses were made without proper budget approvals, and the District was not in compliance with Utah Code 17B-1-619. Quarterly reports were not prepared nor were they reviewed by management, the District was not in compliance with Utah Code 17B-1-638.

**Recommendation:** We recommend the District operate within the confines of the budget by limiting expenses or following proper procedures to adjust budgets as necessary. We also recommend the District follow policies and procedures for ensuring quarterly financial reports are prepared and then reviewed by management.

**Big Plains Response:** Since January 2022, the Board receives and approves financial statements at each monthly meeting. The Town Administrator as the budget officer, by use of the interlocal agreement with the Town of Apple Valley, also ensures compliance with the budget.

2018-003 Deficit Fund Balance - Reissued

**Criteria:** UCA 17B-1-613-(2) required Districts with a deficit unrestricted net position to budget in the next budget year 5% or more of the Districts total actual revenue of the audited year towards reduction of the deficit.

**Condition:** The proprietary fund ended fiscal year 2020 with a deficit in unrestricted fund balance and has not budgeted the required minimum 5% of fiscal year 2021 actual revenues towards reduction of the deficit in fiscal year 2021.

**Cause:** The District's internal controls were not designed or implemented to consider and address the deficit at the time of budgeting.

**Effect:** The District is not in compliance with Utah Code 17B-1-613-(2).

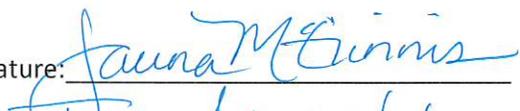
**Recommendation:** We recommend the District continue its efforts to eliminate the proprietary fund deficit unassigned/unrestricted fund balance, and amend its budget to be compliant with state law.

**Big Plains Response:** Fiscal year 2021 ended without being amended for the deficit created in fiscal year 2020. Fiscal year 2021 cannot be amended to be compliant with state law, as the time has passed to do so. However, the ending profit in fiscal year 2021 has completely eliminated the deficit for the fiscal year 2020.

**Other Matters:**

None Noted

Signature:   
Title: CHAIRMAN

Signature:   
Title: Town Administrator